

If your no stranger to the telecom industry, then as little as a few weeks ago you may have heard about the story of a T-mobile Acquisition by AT&T. Depending on who you talk to, this may be the end of the road, or a new beginning. Even technology specialists are divided between the implications of tech over the market. ATT is forking over 39 Billion in cash and stock to aquire The 4th place carrier under reasons in which it lists. As the title suggest I am going to try to explain why, despite the differences, a merger between 3 and 4 would have been better for the industry than a 2 and 4.

But firstly, I shall show AT&T's reasoning.

AT&T vs the truth

Reason 1: Spectrum shortage

Claim: Spectrum is a scarce resource and given the current trend, The government will be unable to free new spectrum to auction to Wireless providers for their services, which will eventually lead to a halt in progress of the rollout of towers and broadband to connect Americans together. This will be a death kneel for Obama's national broadband plan.

Truth: AT&T has no shortage of spectrum and it is most likely that such an event will never happen to it or its competitors for several reasons:

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1. As more and more citizens get access to smartphones and/or wireless service from these providers, the flow of data actually will actually engage in a inverse relationship. More people will have access to broadband and therefore less people will actually be competing for space and or use, causing data use to drop.

2. AT&T has yet to use the full capacity of its existing 3G towers in many major urban markets. In fact, some of the towers in the state of New York still have about 40% of their max capacity unused and open for traffic. One of the concessions of the deal should it fall through also involves AT&T surrendering spectrum over to T-mobile as well as organizing fair roaming agreements. If AT&T was as desperate for spectrum as they claim to be, surrendering spectrum would be a last resort in this deal if it should fail.

3. In 2007 the Federal government held a massive auction for 3G spectrum for all who could afford it. It was at this time that Verizon not only spent 4.6 Billion on spectrum for its own network, and a year later completed a successful buyout of Alltel to bulk itself up for future. T-Mobile also began to purchase Spectrum to finally get in on the 3G action. AT&T managed to convince itself that it didn't need additional spectrum to hold down its network. Lo and behold the iphone(keep in mind that the first Iphone wasn't even a 3G phone, it ran on AT&T's EDGE network) is released and the network collapses under the immense amount of traffic. Even while spending what they claim to be 2 Billion dollars annually, the network they sport is still twice more likely to drop a call than sprint and tmobile. Buying T-mobile is the easy way of not having to admit they were wrong and

another way to ease build-out costs for the upcoming 4G network.

Reason 2: Competition will remain healthy

Claim: There are still at least 5 wireless carriers that compete in most major cities, which leaves plenty of breathing room for competition.

Truth: While this is true, most additional carriers competing in those major markets are regional, not national. Rural areas will be impacted, which AT&T seems to ignore on stating that less than 4 carriers tend to operate rurally in most states. The new entity will also allow AT&T to lock more phones for themselves, effectively crippling any chance of competition based on the wants of a consumer.

Reason 3: Prices will/have fallen and contracts will be honored

Claim: The price of cellular service has fallen dramatically in the past decade and thus will continue to fall after this merger making phones more affordable to the public. On top of this, any existing T-mobile customers will have their contracts honored, and will have the grandfathering option.

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Truth: This one was tricky to pull out. AT& counts cellular service as voice only calls, in which indeed the price per minute has fallen drastically over the last decade. However the price of data has rocketed the other direction which is something that all cellular carriers force on their customers. Because most cell phone users in this day and age text and surf the web, it serves as the perfect cover up to hide the costs of the true plans. Just because Data use drops, doesn't mean price will follow with it. AT&T is well known for both price adjustments and the stalling of innovation.

The contracts especially were brilliantly handled by AT&T. Both AT&T and T-mobile are GSM carriers who operate on the same quad EDGE bands. However, their 3G bands differ, as most T-mobile phones run exclusively on the 1700 AWS spectrum which is incompatible with almost all of AT&T's network. Why? The US officials decided earlier on that competing standards should be promoted, thus leading to CDMA vs GSM (T-mobile took it further). Although not immediate, AT&T has announced its intentions to recalibrate T-mobile's towers for their 4G network. This would effectively leave the majority of T-mobile users paying for 3G service but only getting EDGE which is vastly inferior. They would be paying a premium price but not getting the premium. This would FORCE that same majority off of their existing plans and onto AT&T's plans unless they had a T-mobile phone compatible with AT&T's 850/1900Mhz bands. How many people do you know that understand the differences between frequencies?